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Mr John Hall
Chief Executive Officer
Queensland Competition Authority
Level 19 - 12 Creek Street
Brisbane QLD 4000

19 March 2010

Dear Mr Hall

Dalrymple Bay Coal Terminal – draft access undertaking

The eight coal producers currently exporting coal through the Dalrymple Bay Coal Terminal (**DBCT**), through their representatives in the DBCT User Group (listed at the end of this letter), have been in discussion with DBCT Management (**DBCTM**) for a period of approximately 2 years regarding the forthcoming reset of regulated access arrangements for DBCT. I am the current Chairman of the DBCT User Group and have been authorised by each member to write this letter on behalf of the Group.

After significant consultation and consideration Users have determined to support the proposed changes to the current access framework reflected in the new draft Access Undertaking, accompanying submission on revenue/pricing, and supporting documentation lodged with the Queensland Competition Authority. A copy of this documentation (being drafts dated 19 March 2010) has been provided to the User Group by DBCTM.

In particular there is support with respect to:

- the broad structure of the proposed access undertaking, including the Long-Term Solution (**LTS**) amendments to the current access undertaking and DBCTM's commitment to continue to participate in the LTS initiative;
- the proposed term of the new access undertaking, being 5½ years from 1 January 2011 to 30 June 2016;
- a roll-forward of the current Regulatory Asset Base (**RAB**) valuation, incorporating the various asset additions resulting from recent Terminal expansions commissioned prior to 1 January 2011;
- a roll-forward of the regulatory WACC, consistent with the 'package' approach proposed by DBCTM; and
- retaining unchanged the current approach to depreciation, the allowance for corporate overheads and remediation costs, working capital and existing tax-sharing arrangements.

In indicating agreement to a WACC "roll-forward" approach, Users are not endorsing each individual current parameter in the calculation of WACC. Rather, as a package, and having regard to other aspects of the Terminal access arrangements, Users are prepared to support the specific roll-forward approach proposed by DBCTM. If the Authority was minded to accept only certain elements of the DBCTM proposal, or otherwise modify in a material way the package outcome it delivers, Users would reserve the right to make further submissions on these matters.

Given the multiple dimensions of the overall access framework proposed by DBCTM, some aspects of which are favourable to Users and other which benefit DBCTM, Users wish to emphasise that no individual element of the package should, in isolation, be regarded as a relevant precedent for any other regulatory determination.

Finally, there are expected to be further issues of importance to some Users, beyond those points of agreement highlighted above, which those Users may raise in separate submissions to the QCA. For example:

- in relation to the 60/60 test, Users were not able to reach unanimous agreement in respect of the need for or nature of any ex ante investment test in respect of future expansions of the Terminal, and it is noted that the draft retains the current form of this test; and
- there may be some alternative submissions in relation to funding of feasibility costs or other issues relating to expansions.

This letter is not intended to limit Users in making further submissions to the QCA, collectively or individually, on these and other matters relating to regulated access arrangements at the Terminal.

Yours sincerely



Graham Walker

General Manager, Coal Chain
Rio Tinto Coal Australia Pty Ltd

on behalf of the DBCT User Group, comprising:

Anglo Coal Australia Pty Ltd (ACN 076 059 679) (representing the German Creek, Moranbah North and Foxleigh Mines)

BHP Mitsui Coal Pty Ltd (representing the South Walker Creek and Poitrel Mines)

Isaac Plains Coal Management Pty Ltd (ACN 114 277 315) (representing the Isaac Plains Mine)

Macarthur Coal Limited (ACN 077 890 932) (representing the Moorvale and Coppabella Mines)

Peabody Energy Australia Pty Ltd (ACN 096 909 410) (representing the Burton, North Goonyella and Millennium Mines)

Rio Tinto Coal Australia Pty Ltd (ACN 010 542 140) (representing the Blair Athol, Clermont and Hail Creek Mines)

Vale Australia Holdings Pty Ltd (ACN 075 176 386) (representing the Carborough Downs and Broadlea Mines)

Xstrata Coal Queensland Pty Ltd (ACN 098 156 702) (representing the Oakey Creek Mine)